

Premium Card

Memorandum

To
Gary Flood
Bob Wesley

MasterCard
International



From
H. Eugene Lockhart

PERSONAL AND CONFIDENTIAL

Date
October 4th, 1996

Subject
Premium Card

Copies to
Jim Cassin
Richard Child
Alan Heur
Bob Norton
Bob Selander
Joe Tripodi
Nick Utton

In response to your premium card questions:

1. **Features:** I think the features that you list are fine.

You asked me in a separate memo to clarify my opinions regarding no pre-set spending limit versus no turn down. My feelings are that the really compelling product feature should be no turn down. Now that may not be sustainable for lots of reasons. However, I worry as to whether or not the consumer that currently uses the American Express card understands what no pre-set spending limit means. It is a much more simple communication for no turn down. Although Amex never advertises as such, the implicit understanding between Amex and the cardholder is that they won't be turned down. This is particularly true of the Platinum Card. Therefore you asked my opinions and my opinion is that we should go as close as we possibly can to stating that it is no turn down, but we should state this in a way we can both adhere to, as well as state it in simple language. No pre-set spending limit is not simple language.

2. **Implementation Timeline:** I can absolutely guarantee you that nobody in the Asia Pacific region knows what the timeline is for launching this product. I do not know, and I frankly do not care if this is a Purchase problem or a Asia Pacific problem. Please fix it.
3. **Name:** After reading all the evidence, I guess we had better go with MasterCard World card.

P-0429

GOVERNMENT
DEPOSITION
EXHIBIT
757

Memo - Garry Flood Bob Wesley
Page 2
October 4th, 1996

4. **Issuer Commitment:** Your list of issuers seems OK although I have a hard time believing that AT&T will launch a new card product when they don't have a Head of the card program in place. I am frankly surprised that Chase is not showing more interest in this, as it was Charlie Walsh's idea in the first place.
5. **U.S. Rewards Program: "Systems" Issue:** I am currently reviewing this.
6. **Nationsbank:** I don't trust Nationsbank as far as I can throw them and I frankly don't care if they have signed a confidentiality agreement or not. If they have launched systems development work, you can bet your bottom dollar that Visa knows already and is programming their systems accordingly. Did we review this confidentiality agreement with legal before we sent it out? What kind of time period does this confidentiality agreement have? Is there an issuance exclusivity agreement along with the confidentiality agreement? Are there specific statements in the confidentiality agreement that the intellectual property rights of these products rest with MasterCard.
7. **Interchange:** We would be foolish to have an interchange level of anything less than the current corporate card interchange rate. Frankly we have a good argument as to why it should be higher.
8. **Ticketmaster:** I am still reviewing this.
9. **Carlson:** I don't understand how you can achieve a no black out travel awards program without using Carlson. Maybe I am missing what you have written here, but it seems to me as if Carlson is the only agency to have enough power to book enough seats to make the airlines guarantee no black-out periods. In this, I am not referring to "concierge" which is different.
10. **Global Services:** Global Services is a key component of this product and should be one of the major services advertised when we go into television and print.

I will get back to you on the remaining parts of my review this. I think we need to be launching this product as soon as we can after January 1st in the U.S. and we should be launching this product globally in the first quarter of 1997.

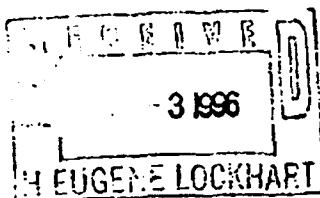
Don't forget one very important feature we have that Amex doesn't. These cardholders can access the world's largest ATM network!

Att.

HEL/lje

Memorandum

To
H. Eugene Lockhart



MasterCard
International



From
Robert Wesley, Gary Flood

Date *RW GF*
October 3, 1996

CONFIDENTIAL

Subject
Response to Premium Card Questions

Copies to
Ralph Bianco, Alan Heuer, Myra Koutzen, Bruce Segall, Joseph Tripodi

This memo responds to the questions you posed in response to our September 13th memo. Your comments are shown in bold.

1. Let me see the US features again ASAP! - We are forwarding the latest Premium Card product description for your information. To summarize, however, the Premium Card features are as follows:
 - No Pre-set Spending Limit with an Option to Revolve: MasterCard Premium Card customers will be allowed to spend according to their individual needs without a pre-determined cap. In addition, each customer can repay the entire balance each month or repay only a portion of the total balance and revolve the remaining balance. The issuer will determine the maximum amount that can be carried over from month to month.
 - Any Airline/No Blackout Travel Rewards program: MasterCard Premium Card customers will earn one point for each dollar they spend. The accumulated points can be used to obtain free domestic or international airline tickets with the carrier of their choice. Since the tickets will be purchased by the Premium Card travel agent, no travel blackouts will be experienced.
 - Gold Card Insurance and Protection Services: MasterCard Premium Card customers will enjoy the existing Gold Card insurance and protection services. Consistent with the product positioning and target market, upgrades will be provided to CDW expanding the number of days covered and including sport utility vehicles.
 - Global Access: MasterCard Premium Card customers will be able to use their card at over 15 million purchase locations and ATMs worldwide.
 - Exemplary Service: This includes the following services:
 - Global Assistance: MasterCard Premium Card customers can call their issuer to obtain emergency help throughout the world using the MasterCard Global Service gateway.
 - Concierge: MasterCard Premium Card customers can make one phone call through their issuer and arrange for tickets, limousines, meeting rooms, gifts, etc.
 - Airline Club Admission: MasterCard Premium Card customers can use their card to gain admission to several airline clubs for a nominal per-usage fee. (The initial

negotiations with a supplier have been difficult. We are investigating alternate suppliers at this time.)

- Expedited Billing Dispute Resolution: MasterCard Premium Card issuers will act as the customers' agents in resolving any billing disputes with merchants.
 - Security & Privacy Features: Issuers will monitor behavior on their customers' accounts and alert the customer of any unusual spending patterns. The customers will not be liable for the first \$50 in fraudulent charges provided they properly notify the issuer of a lost or stolen card. MasterCard Premium Card issuers will not sell their customers' names to other marketing companies.
 - Year-End Account Summary: MasterCard Premium Card customers will receive a year-end account summary showing all of their charges broken out by month and by spending category.
2. The Region Presidents don't know this (the implementation timeline) - Region staff actually provided the dates shown in the timeline based on the first country to launch in each region e.g. Chile in Latin America. Global Marketing is now formally communicating these dates to Region Presidents. In addition, we are working with the Regions on scheduling the launch in other countries within each region.
 3. We should call the product "Premium" or "Premium Plus" or "PremiumWorld". We are addressing this issue via separate memo.
 4. (Issuer Commitment) could be Chase or Household. Household is a serious possibility at this point. We continue to work closely with them to help answer their questions and concerns. Chase is so entangled in the merger and its accompanying issues that they do not appear to be a leading candidate. Other leading candidates include AT&T, USAA and Bank of America.
 5. I don't understand why this (U.S. Rewards Development) is a "systems" issue. This information was provided as background to other issues discussed and is not actually an issue.
 6. I don't understand why we're working with Nationsbank. They'll only turn around and tell VISA. Suggest we stop working with them unless they have signed an exclusivity agreement with us. We have a signed confidentiality agreement with NationsBank. We will work to get an exclusivity agreement with them, however. They have shown more interest and capability in issuing the product than many other issuers. They also have initiated systems development work with Total Systems to deliver the no pre-set spending limit feature.
 7. (Premium Card) should command higher interchange - close to that of commercial products. Your thoughts are in line with our ongoing thinking and member feedback. We will keep you informed as the interchange study proceeds.
 8. What is the next step here (in using the Ticketmaster relationship with the Premium Card?) Ticketmaster is helping identify some prospective vehicles and programs to be used with the Premium Card. This will be built on the Gold Ticket platform. Since all events are time-sensitive, nothing will be finalized until the launch timing is determined.

9. **Why not use Carlson! We've got it so let's use it!** The attached memo from Phyllis Laubacher explains the due diligence process used in evaluating Carlson for concierge and the vendor selection strategy in the U.S.
10. **Promoting Global Services is key in this.** Premium Card cardholders will be provided with toll-free numbers to Global Services to be used when they are traveling outside their home countries or if their issuers can't be reached. Global Services will handle lost and stolen card reporting, emergency cash, and card replacement services.

Please let us know if you would like additional information.